



The Ultimate **Franchise Blueprint**

road map to

FRANCHISE OWNERSHIP

A WORKBOOK

Welcome

Welcome to The Franchise Freedom Course

I'm so glad you're here. You didn't land on this path by accident—something inside you knows it's time for more.

More freedom. More control. More purpose.

This kit is your roadmap to explore franchise ownership with clarity, curiosity, and courage.

"You are one decision away from a completely different life." – Mel Robbins

So take a deep breath. Let's go step by step. You don't need to have it all figured out—just a willingness to explore.

You've got this. And I've got you.

— Phyllis Pieri

.

How to Use This Workbook

This workbook is your personal exploration guide. You don't need to finish it in one sitting—use it as you go.

Use this kit to:

- Complete sections before or after watching a course video
- Bring it with you to franchise strategy calls
- Clarify your goals and track your franchise research process

“

Clarity comes through exploration, not perfection.” –
Inspired by Phyllis

Keep a pen nearby, your curiosity turned on, and your mind open.

You're here because you're ready to lead.

.

Meet Louie: Your Fear Monster

Louie is that little voice in your head who says:

- “What if this doesn’t work?”
- “You’re not ready.”
- “This is too risky.”



He’s not evil—he’s just scared. Louie wants to keep you safe by avoiding risk.

But here's the truth:

Fear is a companion, not a decision-maker.

When Louie speaks, pause... then act anyway.

“Be courageous—you never know what’s behind the next door.” – Phyllis

Use this kit to outsmart Louie.

Learn, reflect, and take bold steps forward.

You don’t need to be fearless—you just need to move while fear tags along

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ABOUT

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Phyllis Pieri uses her passion for people and her 35+ years in the franchise industry to guide fledgling entrepreneurs through the franchise selection process. For over ten years, she has specialized in helping others follow their dreams by becoming independent business owners and has consulted with hundreds of clients.

In her franchise career, Phyllis has done it all, starting her career working at the corporate offices of Sir Speedy, a printing and marketing franchise. She went on to operate a successful Sir Speedy franchise in downtown San Francisco. She has also been a multi-unit operator, owning 9 automotive lubrication and tune-up centers.

Her work with franchisors includes implementing a supply delivery system, organizing and negotiating an equipment package for franchisees, spearheading franchise sales and new location openings, coordinating new franchisee financing programs, and creating highly effective marketing campaigns. As Sir Speedy's Franchise Director in the 1990's, Phyllis won their highest sales award four years in a row.

Phyllis has worked with over 200 franchisors in her career, in almost every franchise industry, including automotive, business services, education, financial services, fast casual dining, health care, home improvement, maintenance, retail, consulting, and technology. She knows how to evaluate a franchisor for its strengths and weaknesses, insuring that her clients only work with the best of the best.

In her current consulting practice, Phyllis uses her expertise to place new business owners in the right concept for them. She has trained a myriad of others, in the U.S., Canada and the U.K., to use her six-step franchise selection process so that they, too, can help entrepreneurs with a tried and proven approach to business selection. Her personal commitment to her clients is clear communication, honesty always, and integrity foremost.

Articles



Welcome!

To get started, I thought this first article would be helpful because it will explain the process we will go through together to figure out what might be your "perfect match" franchise.

Franchise Investigation Procedures



A Process of “Mutual Due Diligence”

Professional, successful franchise companies award franchises only to highly qualified, well-screened franchise candidates. They do not “sell” a franchise to just anyone who has the money to buy one.

These companies have specific qualifications they look for in a franchise candidate that may include previous industry experience, specific personal characteristics or skill sets, excellent credit history, and financial stability.

A great franchise company will qualify you for their system at the same time you are investigating them. This investigation process is often referred to as “mutual due diligence.”

Most franchise companies have invested years of hard work, and tremendous amounts of money, into their franchise systems. They will be very picky about whom they allow to join their family of franchise owners. These are the types of franchise companies you want to investigate, because this discipline protects your investment.

Another important note about the “mutual due diligence” process is that the level or range of actual or potential sales, costs, income or profits from any franchise system will not be specific in any discussion you have with your franchise coach, as that is not the function of a consultant in this process. You need to address the sales, costs, income and profit issues with the franchisor and existing franchise owners in each company that you investigate.

Step One: Review each company’s information kit.

Each company has a specific process that they will outline for you in their first call with you. In general, it will be similar to what this document describes, but there may be some slight differences between companies. Most franchise companies expect to hold weekly meetings with candidates, and expect the entire “mutual due diligence” process to take no longer than four weeks.

After your consultant has introduced you to these companies, each franchisor will send you their initial franchise information packet, which contains general information about the company. Often this packet will include a blank financial form and a personal questionnaire for you to complete for the franchise company.

It is important that you follow the steps of their qualification process and complete and provide all of the information requested by the franchise company! Remember: franchise companies are looking for team players – people who can follow directions. They will not consider you a serious prospective franchise buyer if you fail to return information they request, leave blank spaces on the forms, or otherwise try to do things “your way.”

After you fill out and return to the franchise companies any information they require, they will review the documentation to determine if you appear to qualify for the awarding of a franchise. If you pass this first qualifying phase, the next step will be for you to receive a copy of their **Franchise Disclosure Document (FDD)**. Note: some companies may ask you to complete additional steps in order to receive this document.

Step Two: Review each company's FDD.

The Franchise Disclosure Document (commonly referred to as the FDD) is the document that a franchise company is required by law to give to a prospective franchisee before a contract can be signed, or money can change hands. It includes a wealth of information about the franchise, including:



1. The history of the franchise and its officers and directors.
2. A complete description of the business to be franchised.
3. All costs and fees that you will be subject to under the agreement.
4. All obligations of either party to the other during the term of the agreement and thereafter.
5. Any relevant litigation history of the company or its officers.
6. Any business failures, ownership transfers, franchise agreement terminations, or other potentially adverse information relating to the success rate of the existing units in the system.
7. Audited financial statements for the previous three years for the franchise company.
8. A list of the company's existing franchisees.
9. A complete copy of the actual franchise agreement document is usually attached to the FDD, but may be provided under separate cover at the option of the franchisor.

As you read the FDD, it will be helpful for you to read it from the “inside out.” This means that you should read it **as if you already were a franchise owner**.

You undoubtedly will find a few clauses that seem very restrictive. However, remember that the franchise company needs to protect the quality and integrity of its entire system. For example, a restaurant franchise may have a clause that allows the franchise company to make unscheduled inspections and “tag” offenses involving restaurant cleanliness or food quality. A franchise owner may have only twenty-four hours to fix these violations. Sound harsh?

What if you were a franchise owner in the territory adjacent to the transgressor, and you kept hearing complaints about how the other restaurant always was dirty, or the food quality was poor? Wouldn't you want that franchise owner to clean up his act? Wouldn't you feel that the franchise company had an obligation to protect its image – thus protecting your investment?

That is why it is beneficial to you to read the FDD “from the inside out”. You will have a better understanding of what systems and policies are in place to **protect you**.

It is recommended that you read the entire FDD and all its exhibits thoroughly one time to gain a general knowledge about how it reads and what it contains. After the first reading, read the FDD a second time. This time, write down any questions or concerns you might have. Feel free to write in the document – it is your copy to use. Many have found it helpful to write their questions on “sticky” notes and place the notes directly on the pages to flag the paragraphs in question. Then, when you discuss the FDD with your franchise company representative, you will be fully prepared.

Some franchise companies may include an earnings claim in their FDD. It's very convenient for you when they do, but it is still important that you discuss performance of a franchise system when you conduct your own validation calls or visits with owners later in this process.

Step Three: Get your questions answered by franchise owners.



By working with your franchise coach, you have three sources for learning about your franchises or the process of purchasing a franchise: your consultant, the franchise company representatives, and existing franchise owners in their system.

Your consultant has scheduled regular meetings with you throughout your investigation process, preparing you for your meetings with the franchise companies and continuing to enhance your knowledge about franchising in general, such as questions about the FDD, financing, or pros and cons of different business models.

Once you are introduced to your franchise companies, the consultant does not provide specific information about a particular franchise company, as that is not his or her role. Each franchise company representative is the expert about each particular opportunity, and is the right resource for getting your specific questions answered.

You will spend a lot of time on the phone talking to one or more representatives of the franchise companies you are investigating. They will generally outline their process with you during the initial call, so that you may be more fully prepared for each subsequent meeting.

In most cases, the third phase of your investigation process includes conversations with existing franchisees. This process is generally referred to as **validation**. Validation conversations may occur by phone or in person.

Speaking with current franchise owners will be the **absolute best source of information** you will have in this process, as these owners are “in the trenches” every day. You will get their names and phone numbers from a list that is included in the FDD, plus your company representative will likely provide you the names of some franchisees that have common interests with you, or that may help you address particular questions you have raised.

Keep in mind that when you call owners and ask questions, you will get a range of responses – some good, some not so good. When you have conversations, view your assignment as “fact finding” and listen to their issues carefully. Try to determine **why** they are experiencing these issues (i.e., did they follow the franchise company’s directions, or did they “do their own thing?”). Has something occurred in their region of the country that could affect their performance, like poor weather affecting retail business?

More often than not, both positive and negative issues have their reasons. Before you judge, discuss the fact-finding information with your franchise company representative and decide if any negative responses you heard seem to be isolated cases, and whether you are comfortable with them. If you are not comfortable with what you are learning, or if negative feedback outnumbers positive feedback, then this is probably not the right franchise for you.

Your franchise coach will provide you with questions to ask franchise owners, covering topics ranging from initial and ongoing support provided by the franchise company, to training, ramp-up requirements, marketing assistance, franchise performance and profitability and more. In addition, he or she will help you understand what approach to take in calling owners so that you can get the very best feedback!

Important issues your questions should cover:

1. Training Programs – How would you rate the initial training you received? Did you feel fully prepared to begin your business? If not, what would you have liked better?
2. Opening Support – How easily did the home office make the process of getting you “open?” If you are a retail entity, was there support in site selection, lease negotiation, construction and design assistance, financing assistance, permits or any other factors unique to getting you started?
3. Ongoing Support – How would you rate the home office in supporting you with everyday issues? Do you have a designated operations representative or do you have a different kind of system for support?
4. Marketing Programs – Most franchisors collect marketing funds from franchisees. You will want to know whether the franchisees are pleased with the way this “marketing pool” is handled. Note: Marketing is typically the area where you will hear the least positive feedback as you speak with franchisees.
5. Buying Power – Many franchisors use their collective synergy to obtain purchasing discounts for franchisees. You want to know where and how these are being employed as it is one of the reasons why you would want to consider a franchise system in the first place.
6. Franchisor/Franchisee Relations – How do the franchisees feel about the home office? Do they like the people they work with and find them to be consistently supportive of their needs? Is the culture of the company family-oriented or “all about business” – and, whatever it is, does it fit your values?
7. Investment Required – The FDD provides a relatively broad range for the investment required in the business. You will want to use your discussions with owners to narrow that broad range down to a realistic estimate of what it will take to operate your business.
8. Earnings – Quite simply, you want to be able to have a sense of what an average unit is earning for other franchisees. You want to be able to anticipate how earnings develop over certain time frames. You want to have an idea of when you would start to make money. These are all reasonable questions, and you should not proceed until you are comfortable with franchisee responses to these questions.

Note: You may also try to speak with former franchise owners.

A franchise company will also provide a list of owners who have left the system, for one reason or another, during the previous year. Keep in mind that not all former franchise owners have “failed” in their business. Some have sold their business. Others have retired. Sometimes, health reasons force a franchise owner to call it quits. Past owners also include those who chose not to renew their Franchise Agreement. Be aware that there may be many reasons why a franchise owner no longer owns his or her franchise.

Also be aware that all franchise systems have had failures. (Yes, even McDonald’s®!) Franchising success is not guaranteed. When you do speak to a franchise owner who has failed, keep an open mind about what you may hear. Remember, it is only human nature to blame someone or something else for your failures.

Try to see if there is a pattern to what you are hearing. If you talk to five past owners, and each one of them gives a different reason for being out of business, it may be circumstantial. However, if all five owners claim their prices were too high and they could not be competitive in their market consider it a “red flag.”

Step Four: Meet the Franchisor.



Eventually, if you are serious about pursuing their franchise, your franchise company will probably invite you to fly to their corporate offices and meet their staff. Most companies refer to this step as a **Discovery Day**.

It is important for you to get to know as many people at the corporate office as you can; particularly the key people with whom you will be working closely. Remember, a franchise is not just a contract between two parties; it is people working with people. You and the franchise staff should feel very comfortable with each other.

When you are at your Discovery Day, ask to see the franchise company's documentation. A strong franchise company will have documented their systems, operations and marketing programs in an easy-to-use format for their franchisees. They cannot provide a copy to you until you have purchased a system with them, but they will likely show you manuals (or tables of contents) or outlines at minimum, thus providing you a comfort level with materials you would receive.

Step Five: Make a decision.

After you have gathered all the information you need, received satisfactory answers to your questions, completed your investigation, and consulted with your franchise coach, ask yourself these questions:

- Have you received the answers to all your questions?
- Have you completed your due diligence, including seeking legal and financial advice?
- Do you have realistic expectations regarding potential earnings and a return on your investment?
- Are you ready to make the necessary emotional, physical and financial commitment?
- Do you have the support of your spouse, family, friends, or others whose opinions you value?

If you've answered yes to the above questions and have decided to move forward, tell the franchisor's representatives that you have made the decision to become a franchisee. They will generally contact you within 48 hours of your attending Discovery Day and let you know if you have been approved to become one of their franchisees.

If this approval is granted, they may check your references, your credit, your financial capability, etc. If everything else checks out, they will pre-approve your purchase, subject to your having the financing in place to fund the franchise. Please note that the franchise company may provide recommendations to you for financing resources, if needed. However, you will not want to wait until after a Discovery Day to address financing issues. Your consultant can also provide you tips on financing.

Congratulations, and welcome to the exciting world of franchising! You are now part of an elite group of people who have reached for – and achieved – the American dream of owning their own business!

Ownership Criteria

Let's begin by clarifying what really matters to you in a business. The better you understand your lifestyle, preferences, and financial goals, the easier it is to identify a perfect-match franchise.

Use the prompts below to reflect:

Lifestyle & Time Commitment

- What does an ideal workweek look like for you?
- Are weekends and evenings important to protect?

Role Preference – Circle the one you want

- Do you want to be hands-on (owner/operator) or oversee the business (semi-absentee)?

Investment Readiness

- What is your comfort level with an upfront investment?
- Are you open to exploring funding options? **Yes or NO**

Business Types

- Do you prefer working with consumers, businesses, or something else?
- Are you drawn to service-based, retail, or mobile models? (**Circle**)

Other Values & Must-Haves

- What values or mission would you love your business to align with?
- Anything you know you do not want?

Ownership Criteria

Complete or confirm the information below in order to ensure potential franchise opportunities match up to **your** most important criteria going forward. (Remember, these criteria may change during of an investigation, and you will need to review and even update this section.)

Motivation: _____

Goals: _____

Hours/ Days: _____

Skill Sets (matches up with owner's role): _____

Management/Employees: _____

Sales Compatibility: _____

Franchisor Preferences: _____

Total Investment: _____

Financial Criteria: _____

Other: _____

Important Contact Information

Brand 1 - Company Name: _____

Primary Contact: _____

Phone: _____

Email: _____

Other: _____

Brand 2 - Company Name: _____

Primary Contact: _____

Phone: _____

Email: _____

Other: _____

Brand 3 - Company Name: _____

Primary Contact: _____

Phone: _____

Email: _____

Other: _____

Financial Partner/ Lender: _____

Primary Contact: _____

Phone: _____

Email: _____

Other: _____

Franchise Attorney: _____

Phone: _____

Email: _____

Other: _____

Suggestion: List any additional important contacts on the back of this page.

Let's Talk About the Money

Click the link to get Pre-Qualified



[Click Here](#)

	Choices
	SBA
	Line of Credit
	Rainmaker Plan/401K
	Advantage Plan
	Securities Backed Line of Credit
	Equipment Leasing
	Family Help

✓	Yes	NO

✓	Contact Person Info

✓	Notes

Job History Exercise

- *List every job you have ever had.*
- *Identify what you liked and what you didn't like from those jobs.*

Job 1: _____

What I like: _____

What I didn't like: _____

Job 2: _____

What I like: _____

What I didn't like: _____

Job 3: _____

What I like: _____

What I didn't like: _____

Job 4: _____

What I like: _____

What I didn't like: _____

Job 5: _____

What I like: _____

What I didn't like: _____

Job 6: _____

What I like: _____

What I didn't like: _____

Job 7: _____

What I like: _____

What I didn't like: _____

Job History Summary

List all the things that you like about your previous job/s or things that you would like to have in a future business. You may copy what you've written on the previous pages.

What did I like about my jobs?

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____
8. _____
9. _____
10. _____
11. _____
12. _____

Investigation Checklist

Reminder: the investigation process will take about 4-6 weeks to complete!

Process Completion Target Date: _____

Week 1

- ☐ Review top 3 franchises to investigate with your consultant

Brand 1 – Company Name: _____

Brand 2 – Company Name: _____

Brand 3 – Company Name: _____

- | | | | |
|---|----------------------------------|----------------------------------|----------------------------------|
| <input type="checkbox"/> Review websites | <input type="checkbox"/> Brand 1 | <input type="checkbox"/> Brand 2 | <input type="checkbox"/> Brand 3 |
| <input type="checkbox"/> Review franchise packages | <input type="checkbox"/> Brand 1 | <input type="checkbox"/> Brand 2 | <input type="checkbox"/> Brand 3 |
| <input type="checkbox"/> Have initial conversation with each franchisor | <input type="checkbox"/> Brand 1 | <input type="checkbox"/> Brand 2 | <input type="checkbox"/> Brand 3 |
| <input type="checkbox"/> Receive FDD | <input type="checkbox"/> Brand 1 | <input type="checkbox"/> Brand 2 | <input type="checkbox"/> Brand 3 |
| <input type="checkbox"/> Investigate Financing Options | <input type="checkbox"/> Brand 1 | <input type="checkbox"/> Brand 2 | <input type="checkbox"/> Brand 3 |

Weeks 2 and 3

- | | | | |
|--|----------------------------------|----------------------------------|----------------------------------|
| <input type="checkbox"/> Conduct first reviews of companies with your consultant | <input type="checkbox"/> Brand 1 | <input type="checkbox"/> Brand 2 | <input type="checkbox"/> Brand 3 |
| <input type="checkbox"/> Stay on target with franchisor's investigation | <input type="checkbox"/> Brand 1 | <input type="checkbox"/> Brand 2 | <input type="checkbox"/> Brand 3 |
| <input type="checkbox"/> Update Workbook | <input type="checkbox"/> Brand 1 | <input type="checkbox"/> Brand 2 | <input type="checkbox"/> Brand 3 |
| <input type="checkbox"/> Review FDD sections outlines in FIP
(Note: be sure to read the FDD as if you already own the business) | <input type="checkbox"/> Brand 1 | <input type="checkbox"/> Brand 2 | <input type="checkbox"/> Brand 3 |
| <input type="checkbox"/> Discuss procedure for calling franchises (validation) with your consultant | <input type="checkbox"/> Brand 1 | <input type="checkbox"/> Brand 2 | <input type="checkbox"/> Brand 3 |
| <input type="checkbox"/> Begin validation calls and/or conference calls | <input type="checkbox"/> Brand 1 | <input type="checkbox"/> Brand 2 | <input type="checkbox"/> Brand 3 |

Weeks 3 and 4

- ☐ Start using the Pros and Cons Worksheets in Workbook. This will become the items to discuss in our calls as well as with the franchisor.
- ☐ Consult with your consultant and narrow franchise choices to one or two companies
Brand 1 – Company Name: _____
Brand 2 – Company Name: _____
- ☐ Continue validation calls with franchisees ☐ Brand 1 ☐ Brand 2
- ☐ Formulate income/expense projections ☐ Brand 1 ☐ Brand 2
- ☐ Review Franchise Agreement with Franchisor(s) ☐ Brand 1 ☐ Brand 2
- ☐ Finish validation calls with franchisees ☐ Brand 1 ☐ Brand 2
- ☐ Make a list of all remaining questions to have answered, and get answers to them
- ☐ Finalize financing options and initiate paperwork
- ☐ Visit with your consultant about preparing for **Discovery Day** with the franchisor (if applicable)

Weeks 5 and 6

- ☐ Visit franchisor for Discovery Day (if applicable)
- ☐ Get any and all final questions answered
- ☐ Make your decision
- ☐ Franchise agreement signed and returned to company: _____ (Date)

Congratulations! You are now a business owner!

COMPANY

Hallway of Knowledge

Check off each item when you feel comfortable that the franchisor has the ability to deliver the training/ support/ systems/ professionalism you feel is needed to ensure your success.

Brand 1 - Company Name: _____

<input type="checkbox"/> Owner's Role	<input type="checkbox"/>
<input type="checkbox"/> Training	<input type="checkbox"/>
<input type="checkbox"/> Demographics/Territory	<input type="checkbox"/>
<input type="checkbox"/> Marketing/Advertising	<input type="checkbox"/>
<input type="checkbox"/> Sales Requirement	<input type="checkbox"/>
<input type="checkbox"/> Employee Requirement	<input type="checkbox"/>
<input type="checkbox"/> Competition	<input type="checkbox"/>
<input type="checkbox"/> Operations	<input type="checkbox"/>
<input type="checkbox"/> Hours/Lifestyle	<input type="checkbox"/>
<input type="checkbox"/> Software	<input type="checkbox"/>
<input type="checkbox"/> Support	<input type="checkbox"/>
<input type="checkbox"/> Start up costs	<input type="checkbox"/>
<input type="checkbox"/> Financing	<input type="checkbox"/>
<input type="checkbox"/> Economics	<input type="checkbox"/>
<input type="checkbox"/> Franchise Agreement	<input type="checkbox"/>
<input type="checkbox"/> Discovery Day (if applicable)	Date: _____
<input type="checkbox"/> Decision	Date: _____
<input type="checkbox"/> Training	Date: _____

COMPANY 1

Pros and Cons Worksheet

Brand 1 - Company Name: _____

After reviewing the franchise material sent to you, and after your first introductory call with the franchise executive, start listing the positive (pros) and negative (cons) attributes of each business you are investigating. **This is an ever-changing list**, so feel free to add to either column and cross off any item that has changed.

Pros	Cons

As questions or issues arise from your reading, talking to the company, or talking with franchisees, write them here. Discuss with your consultant and ask the company executive or existing franchisee to respond. You can write the responses in the section below so you have a good record.

Issues to be resolved	Response

COMPANY

Brand 1 - Company Name: _____

[illegible]

COMPANY 2

Hallway of Knowledge

Check off each item when you feel comfortable that the franchisor has the ability to deliver the training/ support/ systems/ professionalism you feel is needed to ensure your success.

Brand 2 - Company Name: _____

<input type="checkbox"/> Owner's Role	<input type="checkbox"/>
<input type="checkbox"/> Training	<input type="checkbox"/>
<input type="checkbox"/> Demographics/Territory	<input type="checkbox"/>
<input type="checkbox"/> Marketing/Advertising	<input type="checkbox"/>
<input type="checkbox"/> Sales Requirement	<input type="checkbox"/>
<input type="checkbox"/> Employee Requirement	<input type="checkbox"/>
<input type="checkbox"/> Competition	<input type="checkbox"/>
<input type="checkbox"/> Operations	<input type="checkbox"/>
<input type="checkbox"/> Hours/Lifestyle	<input type="checkbox"/>
<input type="checkbox"/> Software	<input type="checkbox"/>
<input type="checkbox"/> Support	<input type="checkbox"/>
<input type="checkbox"/> Start up costs	<input type="checkbox"/>
<input type="checkbox"/> Financing	<input type="checkbox"/>
<input type="checkbox"/> Economics	<input type="checkbox"/>
<input type="checkbox"/> Franchise Agreement	<input type="checkbox"/>
<input type="checkbox"/> Discovery Day (if applicable)	Date: _____
<input type="checkbox"/> Decision	Date: _____
<input type="checkbox"/> Training	Date: _____

COMPANY 2

Pros and Cons Worksheet

Brand 2 - Company Name: _____

After reviewing the franchise material sent to you, and after your first introductory call with the franchise executive, start listing the positive (pros) and negative (cons) attributes of each business you are investigating. **This is an ever-changing list**, so feel free to add to either column and cross off any item that has changed.

Pros	Cons

As questions or issues arise from your reading, talking to the company, or talking with franchisees, write them here. Discuss with your consultant and ask the company executive or existing franchisee to respond. You can write the responses in the section below so you have a good record.

Issues to be resolved	Response

COMPANY 2

Brand 2 - Company Name: _____

[illegible]

COMPANY 3

Hallway of Knowledge

Check off each item when you feel comfortable that the franchisor has the ability to deliver the training/ support/ systems/ professionalism you feel is needed to ensure your success.

Brand 3 - Company Name: _____

<input type="checkbox"/> Owner's Role	<input type="checkbox"/>
<input type="checkbox"/> Training	<input type="checkbox"/>
<input type="checkbox"/> Demographics/Territory	<input type="checkbox"/>
<input type="checkbox"/> Marketing/Advertising	<input type="checkbox"/>
<input type="checkbox"/> Sales Requirement	<input type="checkbox"/>
<input type="checkbox"/> Employee Requirement	<input type="checkbox"/>
<input type="checkbox"/> Competition	<input type="checkbox"/>
<input type="checkbox"/> Operations	<input type="checkbox"/>
<input type="checkbox"/> Hours/Lifestyle	<input type="checkbox"/>
<input type="checkbox"/> Software	<input type="checkbox"/>
<input type="checkbox"/> Support	<input type="checkbox"/>
<input type="checkbox"/> Start up costs	<input type="checkbox"/>
<input type="checkbox"/> Financing	<input type="checkbox"/>
<input type="checkbox"/> Economics	<input type="checkbox"/>
<input type="checkbox"/> Franchise Agreement	<input type="checkbox"/>
<input type="checkbox"/> Discovery Day (if applicable)	Date: _____
<input type="checkbox"/> Decision	Date: _____
<input type="checkbox"/> Training	Date: _____

COMPANY 3

Pros and Cons Worksheet

Brand 3 - Company Name: _____

After reviewing the franchise material sent to you, and after your first introductory call with the franchise executive, start listing the positive (pros) and negative (cons) attributes of each business you are investigating. **This is an ever-changing list**, so feel free to add to either column and cross off any item that has changed.

Pros	Cons

As questions or issues arise from your reading, talking to the company, or talking with franchisees, write them here. Discuss with your consultant and ask the company executive or existing franchisee to respond. You can write the responses in the section below so you have a good record.

Issues to be resolved	Response

COMPANY 3

What have you learned?

Brand 3 - Company Name: _____

[illegible]

Mistakes to Avoid



The franchise investigation process is designed to help you get educated and the goal is to make a smart decision. This section is designed to give you sound advice about how to avoid common mistakes while investigating a franchise.

It is important that during your investigation that you carry yourself with the same professionalism you would use during a job search.

Be professional, be on time, and be engaged. Many candidates have cost themselves time or money, or even lost out on an opportunity, because they made one or more of the mistakes cited below. If you are in doubt, have questions or concerns, or find yourself stuck at any point in your investigation, be sure to talk with your franchise coach!

What a franchise company looks for in a candidate:

One of the most common mistakes made by a potential franchise candidate is that they presume that the franchisor is trying to **sell** them a franchise. It is understandable how a candidate can make this assumption, as some companies indeed may take this approach. Better companies, however, make candidates **qualify** to become a franchisee.

The best companies engage seriously in a process of mutual due diligence.

In other words, at the same time you are trying to find the best franchise to match with your goals and skills, a great franchise company is looking for the best possible candidates they can find. In this process, a franchise company will provide information to you about their business and will simultaneously scrutinize your application to be sure there is a strong match between your objectives, capabilities, resources and desires and the offering and professional activities of the franchise. Look for companies that **award**, not sell, franchises.

Generally speaking, you will be asked to fill out forms, provide information about yourself, answer a lot of questions, and demonstrate that you have the desire and requirements to build a particular franchise. When a company asks you to fill out a form or two, and you would like to get more information about the company, it is best if you comply with this request.

Keep this in mind: franchising, when stripped down to its essence, is about following systems. The first and best chance that a franchise company has to see how well you follow a system is to pay attention to how you handle your investigation.

Do not assume that the number one factor used by a franchisor to evaluate a candidate is how much money he or she has in their bank account at this minute. While it is true that a candidate will need to have access to the funding necessary to be awarded and to build the franchise, money is not the single most important trait, at least for a good franchisor.

Instead, the franchisor looks for these traits: integrity, honesty, a successful track record in previous endeavors, strong work ethic, "people oriented" personality, a willingness to follow a proven system, and other characteristics that illustrate a candidate's ability and desire to build a successful business.

A franchise company does not succeed unless its franchisees succeed. Hence, great companies investigate their candidates as much as candidates investigate the company.

Suggestion: *Be prepared to demonstrate to a franchisor that you have the qualifications to build a strong and profitable franchise. In particular, show the franchisor that you have the ability and willingness to learn their system. Ask many questions, and be prepared to learn.*

What a franchise company looks for in a candidate:

Another common mistake made by franchise candidates is that they assume that all franchise opportunities are valid, profitable, and “approved” by somebody (i.e., a governmental agency) that ensures their integrity, money-making capacity, and overall success. Nothing could be further from the truth.

In general, member companies of the International Franchise Association (IFA) represent honest, legitimate franchised businesses (See www.franchise.org for further information).

These companies have to demonstrate a level of legitimate opportunity, franchisee support, and success before becoming IFA members. Certainly, there are honorable franchise companies that are not members of the IFA.

You always have to do your homework. Be sure there is a solid match between your needs, goals, and situation and the offerings of the business you are investigating.

There are over 3,000 franchise companies in the United States. Every one of them is different in terms of:

- The opportunity they present;
- The trends in the market for the goods and services provided by the franchisee;
- The complete financial relationship between the franchisee and the franchisor;
- The level of investment required to purchase and to build the business;
- The company's honesty, integrity, and ethics;
- The leadership of the company;
- How long they have been in business;
- The happiness among their franchisees;
- The legal track record of the company;
- The income-producing ability of the franchised business;
- The hours required to build the business, etc.

You should check out all of these aspects of the business you are investigating, as well as any other aspects that are important to you.

If a company avoids helping you investigate a particular aspect of their business, you may want to move on to your next choice. It is fair to expect openness and honesty from a franchisor. You should be able to get answers to every question you ask during your investigation, either from the company or from its franchisees. That does not mean you will like every answer you hear, but you should ask every question that you have, no matter how big or small.

Expect long phone calls regarding training, day-to-day activities of franchise owners, ongoing support from the home office, etc. Learn the steps in each company's investigation process, and follow them in the prescribed manner. Trying to take shortcuts in this process will not help you get into a franchise any more quickly or more easily.

A crucial step in this process is validation. Validation simply refers to the task of speaking with existing franchise owners after you have learned the basics of how the business works. Premature discussions with franchise owners often lead to disjointed and unproductive discussions – do not attempt to get into this step with a particular company until cued to do so by the franchisor. You often will only get one shot at talking with a particular owner, so be prepared and make it count.

Other suggestions to avoid mistakes:

Keep your initial dreams burning brightly



Perhaps the saddest situation for consultants and franchisors to watch is people giving up on themselves – sometimes before they truly even get started in the investigation process. Sadly, some very bright, energetic, and talented individuals begin this process filled with enthusiasm, energy, high ideals, and a desire to be their own boss. Then a few days, weeks, or months later, they quit investigating.

Something happened to derail their desires to overcome the pain that first caused them to look into business ownership. Why does this occur? Perhaps they think, “Because I don’t have the necessary capital in my bank account, I cannot buy a franchise.” Or they conclude, “This is not a good time right now. I have to do ... (whatever) ... instead.” Or they are concerned what others might think of them. Or they get nervous about leaving the “security” of their job and a regular paycheck.

The reasons are many, and it only takes one to stop a proper investigation. Unfortunately for many of these individuals, they did not ask the franchisor or the consultant about how their perceived problem or situation might actually impact their ability to build a successful business. Don’t be afraid to ask. No solid franchisor wants to accept a person who they believe is not going to succeed. **If you have questions or concerns, talk about them.**

Remember, when you investigate a franchise, you are also investigating your dreams.

Suggestion: *Do not stop investigating a particular franchise opportunity unless you are positive that the obstacles you perceive are actually valid. Many times a perceived problem can be overcome, often with only one short phone call!*

Do not confuse “getting information” with “making a commitment”

Sometimes a candidate will stop investigating a franchise opportunity simply out of fear that getting more information commits either the candidate or the company to completing the transaction. This is not the case. Good franchise companies do not view the dissemination of information as a factor for accepting a candidate. For either party to honestly evaluate the other there has to be an exchange of information – getting and sharing information is simply a wise thing to do.

Remember, nothing happens until both parties authorize a franchise agreement. Up to that point, everything is preliminary analysis. The Federal franchising laws are very strict in this regard, and they protect individuals from making a commitment without doing their homework.

Suggestion: *Leave no stone unturned. Get all the information you can. Share information about yourself with the company you are investigating. They need to know as much about you as you know about them. Would you want a company to erroneously award you a franchise that does not match your objectives, desires, capabilities, or interests? More importantly, if you move ahead with a franchise company, wouldn't you want to know that they are doing their due diligence before they award franchises to others? You want to be part of the strongest system possible!*

Get out from behind your computer

Far too many people think they can investigate a franchise online, and don't make the effort to get out from behind their computer and talk with people, even by telephone. This process cannot be done in a passive way – you will need to spend time on the phone or in person speaking with your consultant, representatives from the company's home office, existing franchise owners, and other advisors.

Even computer-oriented or tech-savvy companies look for candidates who take the time to learn the steps in their qualifying and applying process and talk with people via the telephone and in person. Success in most businesses will rely on successful personal communication.

Suggestion: *Ask the franchise companies that you are investigating to outline the qualifying and application process for investigating their franchise, and then follow the steps they suggest. You will learn more and you will make a positive impression on the franchise companies.*

Investigate potential problems carefully and thoroughly



During the evaluation process, some type of “problem (or perceived problem) within the business may surface. For example, an existing franchisee may cite “problem X” that he or she has with the home office.

In such a case, you should attempt to validate “problem X” by asking other franchise owners and the home office about it. Don't cite franchisee names, but ask the questions that you have.

Often candidates will find that others do not commonly share the same experience as one franchisee, or that the home office may offer a different perspective. If you find that several franchisees have the same problem, then you have something to discuss with the franchisor.

Don't expect perfection in your validation calls. You want to hear differing opinions, and it's not logical to presume every franchisee will be completely happy with every aspect of their business or with the franchise company. You need to listen for trends. If the vast majority of franchise owners you speak with are offering positive feedback, and you get negative information from only one or two owners, do these issues really reside with the company, or are they individual differences of opinion?

If the majority of feedback you hear is negative and not positive, you should bring those issues up with the franchisor, and that may be grounds to focus your investigation on another company.

Suggestion: *Evaluate, evaluate, and then evaluate some more. Keep a list in this workbook of the positives and negatives (pros and cons) for each company you are investigating. Talk with more than one existing franchisee within a company. Ask good questions. Take good notes. Pay attention. Discuss any concerns or questions with the franchisor. Do not simply fade away.*

Visit the home office if you are invited

Don't make the mistake of entering into a franchise without first visiting the home office if that is part of their process! Other than a home, this may be the largest financial investment you will make. Don't cut corners here thinking you are saving time or money by skipping this crucial step.

Most franchise companies offer some type of **Discovery Day**. This is your chance to meet the home office team members and see the operation with your own eyes.

Qualified candidates are invited to participate in a one- to two-day program that introduces the home office support staff, describes the franchisee support programs, allows for a mutual question and answer period, and typically includes an in-depth interview with one or more corporate officers.

Most franchise companies do not consider a person a serious candidate until they invest the time (and money) to visit the home office. Remember, the awarding of a franchise by a solid franchisor is a two-way process.

A Discovery Day is typically just that – a day to investigate and discover more about the company. Most franchise companies do not have the expectation that you will come with a signed check and contract in hand.

Try to get your final questions answered, and take the information and materials home and consider things for a few days. While you are doing so, most good franchise companies are considering your application. Many will have a committee decide if a candidate is worthy to be granted a franchise. Attendance at a Discovery Day does not guarantee your acceptance. It only provides the opportunity for both you and the company to visit face-to-face.

A Discovery Day is akin to a job interview process. Dress professionally, act professionally, and be engaged in the process. Make them want you!

Suggestion: *Take full advantage of a company's Discovery Day program, even if you have to pay for the whole trip yourself. Some companies share the travel or lodging costs with you. A Discovery Day can be considered the capstone of your investigation – do not attend so early in the process that you've not yet done your other homework. You will most likely not visit each company that you investigate – most candidates attend one Discovery Day after they have narrowed down their franchise choices.*

Do not rush into a franchise, but don't waste time

Typically you should plan on evaluating a business for four to six weeks, as outlined in this workbook. Give yourself adequate time to complete all of the qualification/investigation steps. Set a goal and work on the process daily until it's completed. Include the following steps:

- Complete the requested forms for information about you;
- Read company brochures, materials, and the Franchise Disclosure Document (FDD);
- Continue to make a list of your questions as you investigate;
- Discuss your concerns and questions with the company representative and other consultants of your choosing;
- Research the market for the product or services within your area;
- Make arrangements to talk with other franchisees;
- Attend a Discovery Day,
- Determine the specific steps next for a mutual decision on your part and on the part of the franchisor.

At the same time, don't stretch out this process unnecessarily. The goal is to make a decision for each company – yes or no. If the process stretches out significantly longer for no clear reason, a company may think you are not a good investigator, or, worse, not a good decision maker. They want you to be both.

A stop and go, stop and go investigation is not the best way to proceed, unless you have a good reason, such as a family or medical situation arising during the process. If that situation arises, be sure to discuss it with the franchise companies so they are aware of any potential delays.

Suggestion: Keep a steady pace to your investigation. Stay in touch with each company's representative to keep him or her informed of the status of your investigation. If you want to move forward to the next step, tell them. If you plan to terminate your investigation, or place it on hold, tell them. Don't leave anyone hanging. This creates a very negative image of you within the company, and can work against you if you decide to re-engage with a company that was previously put on hold.

Franchise Terminologies

To be able to conduct an intelligent evaluation of any franchise – you need to “know the lingo.” Every industry has its terminology, and franchising is certainly no different.

So we’re going to start you out “easy.” Here are the 10 most important terms you will need to know before you buy. Then – read on!

Franchise: *The legal rights (the surrounding trademarks, copyrights, franchise operating system, support, training, product or service) a Franchisee obtains from a Franchisor under a franchise agreement to operate within a designated contract period as their business.*

Franchisee: *The person, partnership or company who pays the Franchisor for the right to own and operate a business using the Franchisor’s marks and system.*

Franchisor: *The person, partnership or company that controls the overall rights to the franchise.*

Franchise Agreement: *A non-negotiable contract, per FTC regulations, between a Franchisor and a Franchisee in which the Franchisor grants the Franchisee certain legal rights to use the Franchisor’s marks and system in connection with a business to be independently owned and operated by the Franchisee.*

Capital Required: *The amount of money a Franchisee will need to ramp up their franchise business during the start-up phase (average 3 to 15 months) to the point of producing a profit.*

Exclusive Territory: *This is the region or area a Franchisee will have exclusive rights to operate within. It is generally defined and mapped in terms of targeted households or population.*

Liquidity: *The total cash available to a franchise owner for business operation or living expenses.*

Net Worth: *Your assets (i.e., the cash value of all you own) minus your liabilities (i.e., what you owe)*

Royalty Fee: *Typically a percentage of gross sales paid by the franchisee to the franchisor on a regular basis. May also be a fixed or other fee basis.*

FDD: *An acronym for “Federal Disclosure Document” -- an extensive legal document that provides you with “all you need to know” about a particular franchise business, the franchisor and the franchise agreement. Regulated by the FTC, the FDD contents must be disclosed to potential buyers before purchase. (Used to be called the UFOC)*

If you have questions about any of these terms, make a note, and remember to ask me to explain it to you.

Franchise Terminologies

A

Acknowledgement of Receipt: Item 23 of the Franchise Disclosure Document (FDD) that is signed by the prospective franchisee and provided to the franchisor (in hard copy or electronically signed) as proof of the date the FDD was received by the prospect. Franchisor's marks and system.

Advertising Fee: An amount paid by the franchisee to the franchisor as a contribution to the franchise system's advertising fund(s). The fund is typically established to pay for the creation and placement of advertising, and is used to offset the franchisor's administrative costs relating to "retail/brand" advertising. Payments are typically calculated as a percentage of gross sales.

Agent: A party that has implied or express (oral or written) authority to act on the behalf of another.

Approved Advertising Materials: Materials provided by the franchisor for the franchisee's use in their local market, or materials created by the franchisee which the franchisor has approved for use.

Approved Products: Specified products which a franchisee must buy for use in their business. Franchisor may also specify an authorized supplier (see authorized supplier definition below). Generally established to control the quality of the products

—used or sold by the franchisee in conducting their business.

Approved Site: A location that the franchisor determines will satisfactorily meet its criteria. Site approval by franchisor is generally not an indication of the sales potential or success of the location.

Arbitration: A method of resolving disputes.

Area Franchise: A franchise relationship that allows the franchisee to open multiple locations, usually in a defined territory within a pre-agreed upon timeline. Area franchisees usually pay an area fee for the rights granted by the franchisor.

Authorized/Designated Supplier: A supplier of products and/or services used in the operation of the franchise that has been approved by the franchisor to sell to franchisees. May be the franchisor or an affiliate company.

Area Development Agreement: A term that refers to the specific agreement provided for multiple unit or territory purchases of a particular franchise. Generally, an ADA will allow a prospective Franchisee to purchase several units – but not have to open all of the units or territories at once.

Franchise Terminologies

With a cash deposit, the Franchisee can “hold” the units, and then open them at a designated time in the Area Development Agreement – usually 12-15 months after the opening of the prior unit

Assignment: The sale of a franchise by one Franchisee (assignor) to another (assignee) is called an “assignment.” In most UFOC’s, the Franchisor designates an “assignment fee” that must be paid by the original franchisee – which is then used by the Franchisor to train and induct the new Franchisee.

B

Broker: An outside salesperson or firm that undertakes, for a fee or commission, the sale of franchises for a franchisor. Franchise brokers are disclosed within the offering circular. Some brokers like to call themselves franchise consultants, but this is a misnomer (see franchise consultant definition below).

Business Format Franchising (BFF): A franchise occurs when a business (the franchisor) licenses its trade name (the brand) and its operating methods (its system of doing business) to a person or group (the franchisee) that agrees to operate according to the terms of a contract (the franchise agreement). The franchisor provides the franchisee with support and, in some cases, exercises some control over the way the franchisee

operates under the brand. In exchange, the franchisee usually pays the franchisor an initial fee (called a franchise fee) and a continuing fee (known as a royalty) for the use of the trade name and operating methods. BFF describes the system of delivery, not the specific product or service associated with the delivery as in Product or Trademark Franchising.

Business Plan: A planning document that details the objectives for the business and establishes processes and measures for meeting those objectives.

B-2-B: An acronym for “Business to Business.” Used to describe a type of franchise whereby a Franchisee offers products or services of use to other businesses, not to consumers.

Business Opportunity: A term used to describe a non-regulated business offering. Buyers should be beware that these offerings are not protected by FDD compliance laws.

C

Certification: Program by which franchisor or its franchisee may test and attest to the ability of an employee to perform certain job functions within the franchisee’s business to the franchisor’s standards. Certification can generally be revoked if the

Franchise Terminologies

employee fails to maintain standards in performing the job function.

Company-Owned Location: A location, owned and operated by the franchisor, usually identical in appearance and operations to those of the system's franchises. While not required, most company-owned locations contribute to the system's advertising fund(s).

Copyright: The right to use and license others to use intellectual property, such as system manuals or other published materials.

Continuous Training: Training provided by franchisors to its franchisees, unit management, and staff, subsequent to the initial training provided.

Company-Owned Units: Units (or territories) of a franchise that are owned by the Franchisor. Such units allow the Franchisor the ability to test new ideas and products without detriment to the overall operation of a particular franchise. Usually these units are required to contribute to an advertising fee or any such group expenses.

Consumer-Driven: a term that is often applied to franchises that appeal only to consumers rather than businesses. Same as B2C, or "Business to Consumer."

Conversion Franchising: The conversion of an existing business within the franchisor's industry into the franchise system. Sometimes includes experienced operators without operating locations.

Culture of Compliance: Company culture whereby franchisees and staff do what is right for the system based on a feeling or knowledge that it is the right thing to do within the company philosophy, rather than because it is in the agreement or someone is watching.

D

Days: Unless otherwise stated, days generally refer to calendar days.

Day-to-Day Management: As an independent owner, the franchisee is obligated to manage the day-to-day affairs of their business to meet the franchisor's brand standards.

Default: The failure of either party to meet the terms of the agreement. In franchising certain defaults are enumerated and some can be cured in a defined period, while others may not be curable.

Design: The trade dress used by the franchise system for the franchise locations, including logo, layout, color scheme, signage, etc.

Franchise Terminologies

Disclosure Document: Also known as the Franchise Disclosure Document (FDD). Formerly known as the Uniform Franchise Offering Circular (UFOC). The format of the FDD is specified by the FTC and NASAA (Federal and State regulators) and provides information about the franchisor, the obligations of the franchisor and the franchisee, fees, start-up costs, and other required information about the franchise system. It includes a listing of current and former franchisees. In addition to the disclosure portion of the FDD, the document will contain the franchise and other agreements and exhibits. It does not typically include unit earnings information.

Distributorship: The right granted by a manufacturer or wholesaler to sell their products.

E

Exclusive (protected) Territory: A geographic area which provides the franchisee with certain rights, which may include exclusive operation. Franchisors may include carve-out provisions within an exclusive territory which define an excluded type of location (malls, airports, stadiums, arenas, supermarkets, hospitals, etc.).

F

Feasibility Study: An examination of the potential of a company to franchise, or of the potential success of a unit within a specific market or specific location.

Field Representative: Typically an employee of the franchisor responsible for ensuring compliance by the franchisee with system standards. Also responsible for providing assistance to franchisees in the operation of their businesses. May be a commissioned Area Representative.

Financial Performance Representation (FPR): Formerly known as an Earnings Claim, an FPR is the Item 19 representation of unit performance by a franchisor.

Footprint: Layout of a location including placement of all furniture, fixtures, and equipment.

Franchise: A relationship, as defined by the FTC and various states, which typically includes three basic elements: (1) the granting of the right to use the systems mark, (2) substantial assistance or control provided by the franchisor to the franchisee, (3) the payment of a fee (in excess of \$500) during a period of time six months before or six months following the commencement of the relationship.

Franchise Attorney: A lawyer specializing in, or with significant knowledge of, the laws, regulations and customs governing franchising.

Franchise Terminologies

Franchise Consultant: A business specialist with significant knowledge of the design, development, and operation of franchising and the underlying franchise relationship. Not to be confused with a Broker, who is a sales agent for the franchisor (see broker definition above).

Franchisee: The person, partnership or company who pays the Franchisor for the right to own and operate a business using the Franchisor's marks and system.

Franchisee in Good Standing: Franchisee operating their location and business in material compliance with franchisor's operating standards and is current with all payments owed to franchisor and key suppliers.

Franchising: An indirect method of distribution; in other words, a method of growth.

Franchisor: A person or company which grants the license to a third party for the conducting of a business under their marks.

FDD: An acronym for "Federal Disclosure Document" -- an extensive legal document that provides you with "all you need to know" about a particular franchise business, the franchisor and the franchise agreement. Regulated by the FTC, the FDD contents must be

disclosed to potential buyers before purchase. (Used to be called the UFOC)

Federal Trade Commission (FTC): The Federal agency in Washington, D.C. that regulates franchises.

Franchise: *The legal rights* (the surrounding marks, system, support, training, product or service) a Franchisee obtains from a Franchisor under a franchise agreement to operate within a designated contract period as their business.

Franchisee Advisory Council: The Franchise Agreement may provide for the formation of a Franchise Advisory Council -- with Franchisees assuming the role of assisting the Franchisor with certain group decisions.

Franchise Agreement: A contract between a franchisor and a franchisee in which the franchisor grants the franchisee certain rights to use the franchisor's marks and system in connection with a business to be independently owned and operated by the franchisee.

Franchise Fee: Often referred to as "initial franchise fee." This is a one-time, up-front payment by the Franchisee to the Franchisor for the rights to a franchise. This fee is due and paid once the Franchise Agreement is signed, is generally non-refundable, and precedes final payments.

Franchise Terminologies

Franchisor: The creator of a franchise system. The party to a franchise agreement who grants prospective Franchisees the right to use the Franchisor's marks and system.

G

Goodwill: A term used to describe the value of trade already established in a particular business that is likely to continue to the benefit of the new business owner.

Gray Marketing: When a Franchisee purchases under franchisor's negotiated agreements and uses the product or merchandise in another business, or sells products or merchandise to another company.

Gross Sales: When used in franchising, generally the total sales of the business before the collection of any sales taxes and after specified deductions. Generally used as the basis for percentage royalty calculations.

I

Initial Investment: The total estimated cost for establishing the business, including the franchise fee, initial fixed assets and leasehold improvements, inventory, deposits, other fees and costs, and the working capital required during the initial start-up period (three months).

International Franchise Association

(IFA): The industry trade association representing franchising. The IFA is based in Washington, D.C.
www.franchise.org.

Internet Sales: Any sale initiated and completed on the world wide web.

Inquiry: Anyone requesting information about the franchise opportunity, whether via the web, by telephone, by fax, or by other methods.

K

Key Supplier or Vendor: Supplier with whom franchisor has negotiated pricing or product availability and whose products or services are an integral part of the franchise system.

L

Location: The site of the franchised or company-owned operation.

M

Multi-Unit Franchise: A Franchisee that owns more than one unit. Multi-unit owners are often the strongest operators in a franchise system – plus, a system with many multi-unit operators is one that is likely performing quite well.

Multiple Franchisors: Franchisors offering more than one franchise concept.

Franchise Terminologies

Manuals: The reference literature published by the franchisor which specifies the method of operating the business under the mark. The operations manual(s) enables the franchisor to alter and evolve the business.

Market Introduction Program: Marketing, advertising, and public relations activities used to launch the franchisee's location.

Master Franchisee: A franchise relationship which is granted for the development of a specified area, and which allows the master franchisee to sub-franchise to other franchisees within the specified territory.

Multi-Unit Developer: A franchisee who agrees to open two or more locations, generally in a defined market over an agreed upon period of time.

N

NASAA: The North American Securities Administrators Association, which prepares the UFOC Guidelines to facilitate compliance with state franchise registration and disclosure laws.

Net Worth: Your assets (i.e., the cash value of all you own) minus your liabilities (i.e., what you owe). Most franchise companies have minimum net worth requirements to prohibit buyers from overextending.

O

Offer: A verbal or written proposal to sell a franchise to a prospective Franchisee upon understood general terms and conditions.

Opening: The time when a franchised unit first opens for business.

Operating Principal: A single individual authorized by a franchise owner to make decisions on behalf of the franchisee. This person is the operating principal and is usually the person with whom the franchisor consults in regarding the operation and conduct of the franchise.

Operations Manual: The "handbook" a Franchisor provides to its Franchisees in printed or electronic form about the in-depth operations of the franchised business.

Owners: The individual owner(s) of a franchise that is a legal entity such as a corporation, general partnership, limited partnership, or limited liability company.

P

Product and Trade name Franchising: The licensing of a franchisee/dealer to sell or distribute a specific product using the franchisor's trademark, trade name, and logo (automobile or truck dealerships, farm equipment, mobile homes, gasoline service stations, automobile accessories, soda, beer, bottling).

Franchise Terminologies

Describes the specific product or service associated with the delivery, not the system of delivery as with Business Format Franchising.

Protected or Exclusive Territory:

Protection or exclusivity granted to a franchisee by the franchisor against the opening of company, franchisee, or other locations within the territory assigned to the franchisee.

Predecessor: Any person from whom the *Franchisor* obtained most of its assets.

Public Figure: Any celebrity or well-known figure who endorses a franchise or whose name or image appears in the franchise name or symbol.

Q

Quality Standards: The standards specified by the franchisor for the operation of the business. Quality standards are specified in the operations manuals, and quality franchise systems tightly control their standards for the benefit of the franchise system and its franchisees.

R

Registration: A requirement to submit the franchisor's disclosure document prior to the approval to offer franchises

within some states. There is no requirement to register a franchise at the Federal level. Registration is not an indication of state sanction of the value of the franchise offering.

Registration States: The various states that require franchisors to submit their FDD for approval prior to offering franchises. The registration states are members of NASAA.

Retro franchising or Refranchising:

When existing locations that may or may not have ever been franchised, and which are currently operated by the franchisor, are offered for sale to prospects. Not the same as churning – the franchisor has an expectation that the retro franchised business will be successful (see churning definition above).

Royalty Fee: Typically a percentage of gross sales paid by the franchisee to the franchisor on a regular basis. May also be a fixed or other fee basis.

S

Service Mark: A mark used to identify the services of one company as distinguished from the services of another. Service Marks are afforded similar protection to registered marks under the law.

Single-Unit Franchisee: Franchisee who owns and operates a single location.

Franchise Terminologies

Start-Up Costs (Initial Investment):

The initial investment that the franchisee will make in becoming a franchisee. It is also known as an Item 7 disclosure. Generally includes the franchise fee, the cost of fixed assets, leasehold improvements, inventory, deposits, other fees and costs, and working capital required during the start-up period.

Success: As used in franchising, the absence of failure or closing of a location. It does not relate to unit sales or profitability.

Successor Agreement: Franchisee's ability to continue in the business for additional terms following a successful completion of their initial term.

System Brand Fund: A fund established and managed by franchisor to which all franchised and usually all company-owned units contribute monies to be spent on promoting and protecting the franchisor's brand. Frequently called an advertising fund.

T

Trademark: The mark, name, and logo which identifies the franchisor and which is licensed by the franchisor for use by the franchisee.

Turnkey: A term used to describe a location which is provided to a franchisee fully equipped and ready to operate.